



3628 South 35th Street
Tacoma, Washington 98409-3192

TACOMA PUBLIC UTILITIES

January 11, 2008

Mr. Steve Wright
Administrator
Bonneville Power Administration
PO Box 14428
Portland, OR 97293-4428

Re: Tacoma Power's Comments on Bonneville Power Administration's Regional Dialogue
Tiered Rates Methodology and Regional Dialogue Process

Dear Mr. Wright,

Tacoma Power appreciates the opportunity to provide comments concerning the Bonneville Power Administration (BPA) draft Tiered Rates Methodology (TRM) and Regional Dialogue process. We understand the document released December 21 is only a working draft but recognize that there needs to be more work to reach a suitable level of completeness. Much more detailed summaries have been provided in the numerous workshops over the past couple of months. It is our expectation that these summaries will be incorporated into the TRM in the coming weeks. While the level of incompleteness makes it difficult to provide substantial comments there are a couple of areas where we would like to obtain further clarification.

It is stated in the Background/Purpose/Content section that a Regional Dialogue Product Catalog needs to be developed prior to the conclusion of the TRM. BPA has recently stated in the Regional Dialogue workshops that it did not wish to develop a Product Catalog for these contracts and Tacoma Power is surprised by this announcement. As a matter of clarification, Tacoma Power would like to understand BPA's intention for developing the Product Catalog, as well as the estimated time frame for producing this document? Tacoma Power is concerned that the timing of developing this document may not align itself with the timing BPA has indicated for finalization of the TRM.

Upon the conclusion of the product discussions in December 2007 and with Tacoma Power's current understanding of the proposed rate design, it appears that there are significant inequities among the products. Tacoma Power understands that BPA would like to limit the flexibility associated with the Load Following, Block and Slice product classifications as compared to the services that are provided in the current contracts. To date BPA has disproportionately assigned limitations to the Block with Shaping Capacity product by asserting a two day ahead pre-scheduling limitation and an arbitrary ramping limit of 200 MW per hour for all of the customers that elect to purchase this service. These restrictions are not equivalent across all products and these differences should either be made equivalent or should be properly reflected in the rate

design. At this time it is not clear what advantage the two day ahead pre-schedule limit will provide or why a limit of 200 MW was selected for the entire pool of Block with Shaping Capacity customers. If BPA intends to apply limitations to a specific product that have potential to significantly alter the ability for a customer to meet its load requirements it should state a comprehensive and conclusive reason for doing so. BPA has produced these limitations with no substantive explanation of why they are necessary.

Overall, Tacoma Power is concerned that the product development is being done out of sync with the TRM. If done in close combination, modeling the product similarities and differences under the impacts of the rate design, customers would be assured that products are being developed appropriately. Currently certain limitations being proposed to the different types of products appear to be unsubstantiated.

Additionally, BPA's indecision to implement a Load Following Charge does not seem to be aligned with BPA's overall principles and goals of this process. If BPA decides not employ the cost of providing this service then this provision should be available to all customers, in all products, and at no additional cost. There has been significant movement toward BPA providing other services for what they actually cost. At the same time, in several forums BPA has stated concerns about current and future capacity constraints and this service certainly limits BPA's capacity hour to hour and within the hour. BPA should have a load following charge that, along with the other services it is providing, accurately correspond with the cost to provide this service.

Under the explanation of the load shaping charge it is mentioned that there are separate rates for customers above or below its Tier 1 diurnal amount. It is not clear why there will be two separate rates for this service and it seems that there should be the same charge, rather it be positive or negative, for above or below amounts. Further clarification on this statement would be appreciated.

Tacoma Power has concerns about the degradation of available Tier 1 resources and increased costs associated with Tier 1. Some of these concerns may be in the lack of clarity included in the current draft but in general costs associated with Tier 1 need to be accurately defined along with the associated surplus revenues. It is currently not clear where Tier 2 risk premiums reside or what methods of mitigation BPA intends to employ. These risks should not be borne by Tier 1 customers. One of the main goals when this process started was the preservation of the existing Federal System through Tier 1 and Tacoma Power would like BPA to make sure that remains a priority. The best way to do this is by setting up the Tiered Rate Methodology in a complete and clear manner where Tier 2 costs are not inappropriately allocated to Tier 1 customers.

It is not clear to Tacoma Power how BPA intends to price Tier 2 at marginal cost when using excess Tier 1 to serve that Tier 2 demand. What is the methodology that will be used to develop this cost and when does BPA intend to complete the development of this methodology?

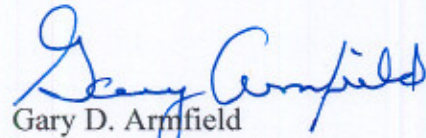
There are many references in the document to a "HWM". We suggest that each reference to a "HWM" should be replaced by either Contract High Water Mark (CHWM) or Rate Period High Water Mark (RHWM) to eliminate any confusion. We agree with the suggestion in the

Bonneville Power Administration's
Tiered Rate Methodology Draft
Tacoma Power's Comments
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clarification session that a definitional section should be added to the document to foster clarity and consistency.

We look forward to seeing more detail in the next version of this document and providing more substantial comments at that time. Should you have any questions regarding these comments please contact Travis Metcalfe at (253) 502-8149.

Sincerely,



Gary D. Armfield
Power Superintendent